

Message Text

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PAGE 01 SEOUL 03785 290607Z

14-S10
ACTION PM-03

INFO OCT-01 INR-07 EA-06 MC-02 EB-07 L-03 ISO-00 NSCE-00

INRE-00 SS-15 SSO-00 NSC-05 CIAE-00 /049 W
----- 101083

O 290537Z MAY 75
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC IMMEDIATE 0311
INFO SECDEF WASHDC IMMEDIATE
CINCPAC

C O N F I D E N T I A L SEOUL 3785

CINCPAC FOR J82

SECDEF FOR DSAA

E.O. 11652: GDS
TAGS: MASS, KS
SUBJECT: FMS CREDIT FUNDS TO SUPPORT FOLLOW-ON PSMM ARMAMENT
SYSTEMS

REF: (A) CJUSMAG-K 050725Z MAR 75
(C) CHUSMAG-K 100901Z MAR 75
(C) SEOUL 2807
(D) SEOUL 2976
(E) CJUSMAG-K 220557Z MAY 75

1. IN REFERENCE MESSAGES EMBASSY AND JUSMAG HAVE REPEATEDLY
URGED APPROVAL OF THE DIVERSION OF \$4.0 MILLION, LATER
REDUCED TO \$3 MILLION, FROM UNUSED FY-74 FMS CREDIT FUNDS
TO THE WEAPONS PACKAGE FOR THE FOLLOW-ON PSMMs. MND ASSISTANT
MINISTER MGENERAL PAIK SEOK-CHU HAS NOW INFORMED US THAT THE
ROKG MUST SIGN THE PSMM WEAPONS CONTRACT BY MAY 31 TO AVOID
PRICE ESCALATION OF PSMM BOAT CONTRACT AND HE HAS APPEALED
FOR A POSITIVE ANSWER ON THE FMS CREDIT DIVERSION BEFORE THAT

TIME. PROBLEM IS THAT UNTIL BOAT BUILDER KNOWS WHICH WEAPONS
ARE TO BE INSTALLED HE CANNOT PROCEED AND THIS HOLDUP
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INVOKES PENALTY CLAUSE IN ROKG BOAT BUILDING CONTRACT.

2. DEPARTMENT INDICATED IN STATE 95917 THAT IT WOULD BE PRUDENT TO RESERVE FY74 FMS CREDIT ONLY TO HIGHEST PRIORITY PROJECTS. AS EXPLAINED REF D ROKS THEMSELVES ARE FULLY AWARE OF OPTIONS FOR AND POSSIBLE FUTURE LIMITATIONS ON FMS CREDIT AND WISH NONETHELESS TO MOVE AHEAD WITH THIS PROJECT. WE AGREE THIS MAKES SENSE AND MOREOVER CONTINUE TO BELIEVE THAT FMS CREDIT ALLOCATION DECISIONS SUCH AS THIS SHOULD BE LEFT ESSENTIALLY TO ROKS IN CONSULTATION WITH JUSMAG.

3. WE UNDERSTAND ONE OBJECTION TO THIS REQUEST FOR DIVERSION HAS BEEN CONCERN THAT THE CREDIT WOULD GO INTO THE FOREIGN COMPONENT OF THE WEAPONS PACKAGE, I.E. THE OTTO MELARA GUN AND THE SWISS PARTS OF THE EMMERLEC. WE CONVEYED THIS CONCERN TO THE KOREANS AND IN RESPONSE AS REPORTED IN REFERENCED MESSAGES ROKS HAVE TOLD US THEY WILL BUY THESE ELEMENTS OF THE PACKAGE UNDER SEPARATE CONTRACT USING WON BUDGET FUNDS. THIS WOULD TAKE CARE OF THIS ASPECT OF PROBLEM AND INCIDENTALLY WILL REDUCE THE TOTAL COST OF THE PACKAGE FROM \$24 TO \$17.9 MILLION AND THE AMOUNT OF FY74 DIVERTED FMS CREDIT FOR THE FIRST INSTALLMENT FROM \$4 TO \$3 MILLION.

4. THIS IS A HIGH PRIORITY MILITARY REQUIREMENT, INVOLVING HONEYWELL FIRE CONTROL PORTION WHICH ROKS MOST ANXIOUS TO BUY FROM US AND WHICH IS IN OUR INTEREST TO SELL. WE FRANKLY ARE AT A LOSS TO KNOW WHY ROKS CANNOT BE TRUSTED TO ALLOCATE FMS CREDIT AS THEY WISH IN THIS CASE. WE URGE AGAIN IMMEDIATE FAVORABLE CONSIDERATION OF THIS REQUEST TO REACH US NO LATER THAN COB MAY 30.
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Margaret P. Grafeld
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